3Q HOLDINGS LIMITED

# 3Q Holdings Limited

## Half-Year Financial Report 31 December 2005

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# Appendix 4D

1.

| | |
|---|---|
| **Name of entity** | 3Q Holdings Limited |
| **ABN** | 42 089 058 293 |
| **Half Year Ended** | 31 December 2005 |
| **Previous Corresponding Reporting Period** | 6 months to 31 December 2004 |

2. Results for announcement to the market

| | **Result** | **% Increase (Decrease)** | **$ Increase (Decrease)** |
|---|---|---|---|
| Revenue from ordinary activities | 3,749,835 | (4.57%) | (179,748) |
| Profit from ordinary activities after tax attributable to members | 1,069,447 | (3.39%) | (37,625) |
| Net profit for the period attributable to members | 1,069,447 | (3.39%) | (37,625) |

No dividends were paid by 3Q Holdings Limited during the reporting period. It is not the current intention of the directors to declare a dividend in respect of this or the following financial year.

A dividend of $1,690,000 was paid by QQQ Systems Pty Limited during the reporting period to its shareholders prior to the acquisition by 3Q Holdings Limited.

3.

| | **Current period** | **Previous corresponding period** |
|---|---|---|
| Net tangible asset backing per ordinary security | 0.084 cents | 3.63 cents |

4. Joint Ventures and Associates

3Q Holdings Limited does not have any holdings in either associates or any joint venture entities.

5. 3Q Holdings is not a foreign entity

6. The accounts of 3Q Holdings Limited are not subject to audit dispute or qualification.

All the details in 1) to 6) above as well as for this Interim report are for the reporting period ending 31 December 2005 and include QQQ Systems Pty Limited for the full 6 months and 3Q Holdings Limited for the period from completion (from 22 December 2005) to 31 December 2005.
The comparative figures for the reporting period ending 31 December 2004 and the financial year ending 30 June 2005 include those of QQQ Systems Pty Limited only.
In accordance with AASB 3 'Business Combinations', the comparative income statement, balance sheet, cash flow statement, changes in equity and any other notes effected should reflect the legal subsidiary which is QQQ Systems Pty Limited.

# Directors' Report

Your directors submit their report for the half-year ended 31 December 2005.

**DIRECTORS**

The names of the company's directors in office during the half-year and until the date of this report are as below.

Directors were in office for this entire period unless otherwise stated.
Shaun Rosen (Executive Chairman – commenced 22 December 2005)
Clive Klugman (commenced 22 December 2005)
Alan Treisman (commenced 22 December 2005)
Geoff Gander
Bernard Crawford (resigned 22 December 2005)
Tony Ammendola (resigned 22 December 2005)

**REVIEW AND RESULTS OF OPERATIONS**

I am delighted to provide shareholders with the results of 3Q Holdings Limited (ASX: TQH) to the period ended 31 December 2005.

The Company relisted on the Australian Stock Exchange (ASX) on December 28 2005 after having raised $1.5m through a Prospectus, shortly after shareholders approved the acquisition of SVI Retail by Acuity Investment Management Limited at the Annual General Meeting of the Company held on December 14 2005.

The offer was extremely well supported and closed fully subscribed within a few days and we thank all those that applied for shares for their confidence in the Company.

3Q Holdings is delighted to report revenues for the period of $3,749,835 and a net profit before tax of $1,539,355 (net profit after tax of $1,100,039). The business continues to perform well and highlights for the period included:

- Gross Margins for the period were 76.5%
- Raising of $1.5m
- Re listing of TQH on the ASX
- New contract with Mountain Design

The Company clearly outlined in its Prospectus that the Board and Management of TQH see great consolidation opportunities in the Retail software and services industry, both in Australia and overseas and that the TQH Business Plan is based on a strategy of growth via acquisition.

The Executive team has already been in discussions with a range of potential target opportunities and expects to make some announcements in the short term regarding the first such transaction. The company is in the process of negotiating a finance deal with a Merchant Bank which will provide the basis for funding such acquisitions.

The Board looks forward to a solid second half and believes that the revenue and net profit before tax figures will be in line with expectations.

Again, we thank shareholders, old and new, for their support. We are delighted that the shares have performed well in the after market since the relisting of the Company and we look forward to keeping shareholders informed of the Company's progress over the coming months.

Auditors' Independence Declaration.
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the directors

Shaun Rosen
Director
Sydney, 16 March 2006

**PKF**

Chartered Accountants
& Business Advisers

**Auditor's Independence Declaration**

**To the Directors of 3Q Holdings Limited:**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005, there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

PKF

**PKF**
**Chartered Accountants**

**Arthur Milner**
**Partner**

**Sydney, 16 March 2006**

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

# Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | 2005 | 2004 |
| | | $ | $ |
| **Revenue** | **2** | **3,749,835** | **3,929,583** |
| Cost of sales | | (880,437) | (1,166,475) |
| **Gross profit** | | **2,869,398** | **2,763,108** |
| Other income | 2 | 135,166 | 231,824 |
| Other expenses | 2 | (1,417,347) | (1,395,791) |
| **Profit before tax and finance costs** | | **1,587,217** | **1,599,141** |
| Finance costs | | (78,454) | (17,610) |
| **Profit / (loss) before income tax** | | **1,508,763** | **1,581,531** |
| Income tax expense | | (439,316) | (474,459) |
| **Profit after tax** | | **1,069,447** | **1,107,072** |

| | | |
|---|---|---|
| • Basic earnings per share (cents per share) | 2.08 | 2.21 |
| • Diluted earnings per share (cents per share) | 0.92 | 0.96 |

# Condensed Balance Sheet

AS AT 31 DECEMBER 2005

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | As at 31 December 2005 | As at 30 June 2005 |
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 1,150,533 | 605,391 |
| Trade and other receivables | | 1,071,514 | 998,686 |
| Inventories | | 103,701 | 149,817 |
| Prepayments | | 49,254 | 20,918 |
| **Total Current Assets** | | **2,375,002** | **1,774,812** |
| **Non-current Assets** | | | |
| Deferred income tax asset | | 156,352 | 132,799 |
| Property, plant and equipment | | 128,429 | 148,702 |
| Intangible assets | | 3,091,610 | 201,672 |
| **Total Non-current Assets** | | **3,376,391** | **483,173** |
| **TOTAL ASSETS** | | **5,751,393** | **2,257,985** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 1,097,123 | 362,984 |
| Interest-bearing loans and borrowings | | 258,097 | 328,119 |
| Income tax payable | | 845,146 | 489,926 |
| Provisions | | 159,106 | 163,998 |
| Maintenance in advance | | 231,457 | 212,154 |
| **Total Current Liabilities** | | **2,590,929** | **1,557,181** |
| **Non-current Liabilities** | | | |
| Interest-bearing loans and borrowings | | 9,134 | 17,921 |
| **Total Non-current Liabilities** | | **9,134** | **17,921** |
| **TOTAL LIABILITIES** | | **2,600,063** | **1,575,102** |
| **NET ASSETS** | | **3,151,330** | **682,883** |
| **EQUITY** | | | |
| Issued capital | 4 | 3,089,200 | 200 |
| Retained Earnings | | 62,130 | 682,683 |
| **TOTAL EQUITY** | | **3,151,330** | **682,883** |

# Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | 2005 | 2004 |
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 4,082,206 | 3,454,841 |
| Payments to suppliers and employees | | (2,497,633) | (2,908,776) |
| Interest received | | 11,954 | 6,933 |
| Interest Paid | | (76,384) | (17,611) |
| Taxation paid | | (107,648) | (69,321) |
| **Net cash flows from operating activities** | | **1,412,495** | **466,066** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (5,484) | (46,211) |
| Loans advanced | | (377) | (27,411) |
| Deposit paid for potential acquisition | | — | (50,000) |
| Other – Cash acquired on purchase of subsidiary (deemed to be 3Q Holdings Limited) | 6 | 1,502,707 | — |
| Other – payments relating to costs of public offering and relisting | | (623,324) | — |
| Other – Additional funds received on public offer | | 16,400 | — |
| **Net cash flows used in investing activities** | | **889,922** | **(123,622)** |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of options | | — | — |
| Proceeds from borrowings | | 480,000 | — |
| Repayment of borrowings | | (547,275) | (65,369) |
| Dividends paid | | (1,690,000) | — |
| **Net cash flows from financing activities** | | **(1,757,275)** | **(65,369)** |
| Net increase/(decrease) in cash and cash equivalents | | 545,142 | 277,075 |
| Cash and cash equivalents at beginning of period | 9 | 605,391 | 182,885 |
| **Cash and cash equivalents at end of period** | | **1,150,533** | **459,960** |

# Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | **Issued Capital** | **Retained Income** | **Option Reserve** | **Total** |
| | **$** | **$** | **$** | **$** |
| **At 1 July 2004** | **200** | **170,666** | | **170,866** |
| Profit for the period | | 1,107,072 | | 1,107,072 |
| **At 31 December 2004** | **200** | **1,277,738** | - | **1,277,938** |
| | | | | |
| **At 1 July 2005** | **18,132,853** | **(18,061,132)** | | **71,721** |
| • Issue of share capital – 7,500,000 fully paid ordinary shares at 20c each issued pursuant to the prospectus | 1,500,000 | | | 1,500,000 |
| • Costs associated with this share issue | (1,103,025) | | | (1,103,025) |
| • Losses of 3Q Holdings Limited from 1 July 2005 to date of completion of acquisition | | (324,633) | | (324,633) |
| • Issue of 1,250,000 options in consideration for services rendered | | | 53,768 | 53,768 |
| • Elimination of cost of 3Q Holdings Limited share capital, reserves and accumulated losses on acquisition | (18,529,828) | 18,385,765 | (53,768) | (197,831) |
| • Cost of acquisition | 3,089,000 | | | 3,089,000 |
| • QQQ Systems Pty Ltd share capital and retained earnings pre-acquisition | 200 | 682,683 | | 682,883 |
| • Profit for the period | | 1,069,447 | | 1,069,447 |
| • Dividends paid | | (1,690,000) | | (1,690,000) |
| **At 31 December 2005** | **3,089,200** | **62,130** | - | **3,151,330** |

# Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of 3Q Holdings Limited (formerly Acuity Investment Management Limited) as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by 3Q Holdings Limited during the half- year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards AAS B 101 including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements except some of the disclosure requirements under Accounting Standards have not been included where the information that would be disclosed is not considered relevant nor material.

The historical financial information contained in this report has been prepared and presented in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS).

*Reverse acquisition accounting*

The condensed financial statements have been prepared following the reverse acquisition accounting described below and in note 6.

3Q Holdings Limited, the legal parent is not the (economic) acquirer for accounting purposes. QQQ Systems Pty Limited (a private entity) arranged for itself to be "acquired" by a small public entity, 3Q Holdings Limited. However, in economic substance the private entity (QQQ) undertook the acquisition.

If the legal subsidiary (QQQ) is identified as the acquirer, then the accounting for the business combination is as if the legal subsidiary acquired the legal parent. In comparison, under A-GAAP, 3Q Holdings would be the acquirer and would fair value all of QQQ Systems net assets including identifiable intangible assets and goodwill.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(a) Basis of accounting (continued)

Consequently, the financial information contained in this report has been presented as if QQQ was the acquirer. The consolidated figures for the 6 months ended 31 December 2005 include QQQ's results for the 6 months as well as 3Q's from completion (22 December 2005).
The figures for the comparative reporting period ending 31 December 2004 and the financial year ending 30 June 2005 include those of QQQ Systems Pty Limited only.

The half-year financial report has been prepared on a historical cost basis and does not take account of changing money values or, except where stated, current valuations of non-current assets.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 would have been restated accordingly. However, as there is no expected financial impact or adjustments on transition, there is no necessity to restate the comparatives.

A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:
- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005, to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

**Notes to the Half-Year Financial Statements**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of 3Q Holdings and its subsidiary QQQ Systems Pty Limited ("the Group")

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies except where stated.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements would include the results for the part of the reporting period during which 3Q Holdings Limited has control.

(ii) Foreign currency translation

Both the functional and presentation currency of 3Q Holdings Limited and its Australian subsidiary is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

All differences on settlement of such transactions in the consolidated financial report are taken to the income statement.

(iii) Property, plant furniture and equipment

Plant, furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

**Notes to the Half-Year Financial Statements**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iii) Property, plant, furniture and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Production hardware – 40%

Office software – 40%

Furniture and fixtures – 20%

Office equipment – 20%-85%

System hardware – 33 1/3%

Motor vehicles - 12.5% - 15%

Impairment

The carrying values of plant, furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or the assets may have been impaired.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and expensed in the income statement.

Impairment testing will be performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group will estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Impairment testing will be performed annually for goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(vi) Intangible assets – Intellectual property

Acquired both separately and from a business combination

Intellectual property acquired separately is capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Principal technology is being amortised over a period of 5 years.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

Research costs are expensed as incurred.
Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Intellectual property with indefinite lives is tested for impairment where an indicator of impairment exists.

Gains or losses arising from derecognition of an Intellectual property is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(vii) Recoverable amount of assets

Once a year, the Group will assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group will make a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and will be written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(viii) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. Investments intended to be held for and undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.
Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognized in income when the investments are derecognised or impaired, as well as through the amortization process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

**Notes to the Half-Year Financial Statements**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(ix) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A provision for stock obsolescence is recognized to the extent to which the cost of the stock exceeds its net realizable value.

(x) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.
The collectivity of debts is assessed at reporting date and a specific provision is made for any doubtful accounts. Bad debts are written off when identified.

(xi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(xii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

(xiii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xiv) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xv) Revenue

Revenues are recognized at fair value of the consideration received net of the amounts of goods and services tax payable to the taxation authority. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery and installation of the goods to the customer.

Rendering of services

Revenue from rendering of services is recognized as the service is provided to the customer

Interest

Revenue is recognised as the interest accrues.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

**Notes to the Half-Year Financial Statements**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xvi) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xvi) Income tax (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

As at the reporting date the group has not consolidated for tax purposes.

3Q Holdings Limited had income tax losses of $16,182,066 (a potential tax benefit of $4,854,620 calculated at a rate of income tax of 30%) as at 30 June 2005. However, as it is uncertain whether these losses will be available to the group, the benefit has not been recognized.

(xvii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xviii) Share based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

**Notes to the Half-Year Financial Statements**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

**1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

(c) Summary of significant accounting policies (continued)

(xviii) Share based payments (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Notes to the Half-Year Financial Statements (continued)**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian

Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

| | CONSOLIDATED | | |
|---|---|---|---|
| | 30-Jun-05 | 31-Dec-04 | 01-Jul-04 |
| Total equity under AGAAP | 682,883 | 1,277,738 | 170,866 |
| Adjustments to equity: | - | - | - |
| Total equity under AIFRS | 682,883 | 1,277,738 | 170,866 |

(ii) Reconciliation of net profit under AGAAP to that under AIFRS

| | CONSOLIDATED | |
|---|---|---|
| | Year ended 30-Jun-05 | Half-Year ended 31-Dec-04 |
| Net profit after tax as previously reported under AGAAP | 1,032,148 | 1,107,072 |
| Adjustments to net profit after tax | - | - |
| Net profit under AIFRS | 1,032,148 | 1,107,072 |

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

# 2 Revenue and Expenses

Specific Items

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | CONSOLIDATED 2005 $ | 2004 $ |
|---|---|---|
| (i) Revenue | | |
| Sale of goods (services, software, hardware) | 3,093,987 | 3,117,213 |
| Maintenance revenue | 655,848 | 812,370 |
| | 3,749,835 | 3,929,583 |
| (ii) Other income | | |
| Recoupment of QQQ Systems pre 30 June 2005 listing and recapitalization fees from 3Q Holdings Pty Limited | 105,000 | - |
| License fees received from foreign entity | - | 212,287 |
| Other income | 30,166 | 19,537 |
| | 135,166 | 231,824 |
| (iii) Expenses | | |
| Depreciation | 25,760 | 12,678 |
| Amortisation of Principal technology | 55,000 | 55,000 |
| Employee benefits | 1,002,361 | 1,033,915 |

**Notes to the Half-Year Financial Statements (continued)**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | CONSOLIDATED | |
|---|---|---|
| | 2005 | 2004 |
| | $ | $ |

# 3 Dividends Paid and Proposed

| | | |
|---|---|---|
| Equity dividends on ordinary shares: | | |
| Dividends paid during the half-year<br>The dividend was paid by QQQ Systems Pty Limited prior to the acquisition by 3Q Holdings limited. | 1,690,000 | — |

# 4 Issued Capital

| | | |
|---|---|---|
| Ordinary shares | | |
| Issued and fully paid | 3,089,200 | 200 |

| | Number of shares | $ |
|---|---|---|
| Movements in ordinary shares on issue | | |
| At 1 July 2005 | 30,911,883 | 18,132,853 |
| Consolidation of shares 1 for 2 | (15,455,923) | - |
| Ordinary shares issued per the acquisition of QQQ Systems Pty Limited | 50,000,000 | 3,089,000 |
| Issue of share capital – 7,500,000 fully paid shares at 20c each issued pursuant to the prospectus | 7,500,000 | 1,500,000 |
| Costs associated with this share issue | | (1,103,025) |
| Elimination of cost of 3Q Holdings Limited's share capital on acquisition of QQQ Systems Pty Limited | | (18,529,828) |
| Cost of QQQ Systems Pty Ltd's share capital pre-acquisition | | 200 |
| | 72,955,960 | 3,089,200 |

**Notes to the Half-Year Financial Statements (continued)**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

# 5 Segment Reporting

The group operates in the information technology industry in Australia and New Zealand.

# 6 Change in Composition of Entity

Acquisition of QQQ Systems Pty Limited

On the 24th October 2005 3Q Holdings Limited (formerly Acuity Investment Management Limited) signed a share sale and purchase agreement for the acquisition of 100% of QQQ Systems Pty Limited trading as SVI Retail subject to all relevant regulatory and shareholder approvals and the satisfaction of a number of conditions. All these approvals were obtained and all the conditions were met and the transaction was finally completed on 22 December 2005 (date effective gain of control of QQQ took place) and the company recommenced trading on the ASX on 28 December 2005. The consideration for the 100% equity in QQQ comprised the issue of 50,000,000 ordinary shares at 20c per share and 65,000,000 performance shares which are convertible into up to 65,000,000 ordinary shares upon achievement of certain specified targets in the periods ending 30 June 2006 or 2007.

3Q Holdings Limited also issued 7,500,000 ordinary shares under a public offering at an issue price of 20c per share to raise $1,500,000.

The net assets of 3Q on completion of the sale included cash reserves of $1,503,000, which included $1,500,000 proceeds from the issue of the 7,500,000 ordinary shares under the public offering.

QQQ Systems Pty Limited contributed $1,569,386 net profit before tax from ordinary activities ($1,130,070 net profit after tax from ordinary activities) during the 6 months ended 31 December 2005.

**Notes to the Half-Year Financial Statements (continued)**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

# 6 Change in Composition of Entity (continued)

The fair value of the identifiable assets and liabilities of 3Q Holdings Limited as at the date of acquisition are:

| | CONSOLIDATED | |
|---|---|---|
| | Recognised on Acquisition $ | Carrying Value $ |
| Cash and cash equivalents | 1,502,707 | 1,502,707 |
| Trade receivables | 104,500 | 104,500 |
| Other assets | 19,992 | 19,992 |
| Loan from QQQ Systems Pty Limited | (819,257) | (819,257) |
| Trade payables | (663,879) | (663,879) |
| Fair value of net assets | 144,063 | 144,063 |
| Goodwill arising on acquisition | 2,944,937 | 2,944,937 |
| | 3,089,000 | 3,089,000 |

| | |
|---|---|
| Consideration: | |
| Shares issued at fair value | 3,089,000 |
| The cash inflow on acquisition is as follows: | |
| Net cash acquired on acquisition of QQQ | 1,502,707 |
| Cash paid | - |
| Net cash inflow | 1,502,707 |

**Notes to the Half-Year Financial Statements (continued)**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

# 7 Contingent Assets and Liabilities

There are no contingent liabilities or contingent assets.

# 8 Events after the balance sheet date

No material events have taken place after the balance sheet date.

# 9 Additional Information

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

| | CONSOLIDATED | |
|---|---|---|
| | 2005 | 2004 |
| | $ | $ |
| Cash at bank and in hand | 1,143,730 | 394,992 |
| Short-term deposits | 6,803 | 64,968 |
| | 1,150,533 | 459,960 |

# Directors' Declaration

In accordance with a resolution of the directors of 3Q Holdings Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Shaun Rosen
Director

Sydney 16 March 2006

**INDEPENDENT REVIEW REPORT**
**To the members of 3Q Holdings Limited**

**Scope**

We have reviewed the financial report of 3Q Holdings Limited for the half-year ended 31 December 2005 as set out on pages 8 to 30. The financial report includes the consolidated financial statements of the consolidated entity comprising 3Q Holdings Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 3Q Holdings Limited is not in accordance with:

(a) the Corporations Act 2001, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

   ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

PKF

**PKF**
**Chartered Accountants**

**Arthur Milner**
**Partner**

**Sydney, 16 March 2006**

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